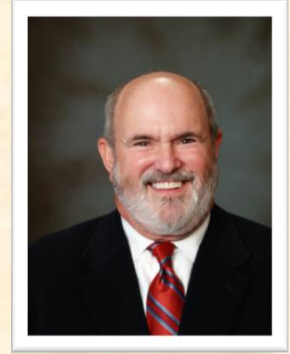




KRASNEY FINANCIAL PRESENTS:

WEEKLY FINANCIAL ARTICLE FOR THE WEEK OF AUGUST 8, 2007



5.25% AND HOLDING

HOW LONG WILL THE FEDERAL RESERVE LEAVE INTEREST RATES ALONE?

On June 29, 2006, the Federal Reserve raised its benchmark interest rate to 5.25%, the highest level in more than five years. Interest rates haven't moved since. Will there be any change before 2008 (or 2009)?

A Delicate Balance. Federal Reserve Chairman Ben Bernanke and his fellow policymakers raise or lower interest rates in an effort to correct an economy growing too slowly or too quickly. When they cut rates, they seek to spur economic growth, cheer stock market investors and elevate consumer confidence. When they raise rates, they intend to keep inflation in check. The U.S. economy slowed down in the last 12 months, with the first quarter of 2007 producing only 0.7% growth. That led investors to believe rate cuts were coming. But key second quarter data seems to show the economy is growing at a faster pace, with inflation rising in response. The Fed still feels that "sustained moderation in inflation pressures has yet to be convincingly demonstrated." That's Fed speak for "we're still a little bit worried about inflation."

Wall Street's Wishes. For months, investors have hoped for a rate cut to rally the stock market. The likely scenario: effects from the housing slump put a drain on the entire economy, thereby pressuring the Fed to lower rates. But over the last 12 months, that hasn't happened, even with a wave of foreclosures and the closure of some mortgage lenders. While the economy was conceivably weak enough to merit a rate cut earlier this year, the Fed has contended for months that the real problem facing the economy is inflation, not stagnation. Controlling inflation has been the Fed's top priority of late.

Will rates go up or down? Some economists think the Fed might leave rates alone for a year or more. Others see a rate hike in the next few months. While core inflation in consumer prices has fallen slightly, unemployment is low and manufacturing and business indicators hint at – as the Fed says – "moderate" economic growth, with corresponding inflationary pressures.

Please feel free to forward this article to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will contact them and ask for their permission to be added.

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Quote Of The Week

"My definition of a free society is a society where it is safe to be unpopular." – Adlai Stevenson

Riddle Of The Week

When I'm used, I'm useless,
once offered, soon rejected.
In desperation oft expressed,
the intended not protected.
What am I? (Wait for next article for the answer)

Notable Numbers

Fixing up your house to sell? The National Association of Realtors reports that a new exterior paint job really helps. A professionally painted exterior costs an average of \$3,250 and recoups 81% of that cost in resale value.

Answer to last week's riddle: Coal